

CITY OF LOGAN

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2004

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CITY OF LOGAN

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Michael Foutch	Mayor	December 2003
Tom Blackwell	Mayor Pro-Tem	November 2003
Dennis Crum	Council Member	December 2003
Terry Francis	Council Member	December 2003
Jim Ettleman	Council Member	December 2005
Kevin Killpack	Council Member	December 2005
(After January 2004)		
Michael Foutch	Mayor	December 2005
Jim Ettleman	Mayor Pro-Tem	December 2005
Dennis Crum	Council Member	December 2007
Kevin Killpack	Council Member	December 2005
Art McWilliams	Council Member	December 2007
Lisa Winther	Council Member	December 2007
Nedra Fliehe	City Administrator	Indefinite
Angela Winther	Assistant Administrator	Indefinite
Alan Anderson	Attorney	Indefinite

MUXFELDT ASSOCIATES, CPA, P.C.
2309 B CHATBURN AVE.
HARLAN, IA 51537

August 18, 2004

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Logan, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Logan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

Continued . . .

August 18, 2004
Page Two

To the Honorable Mayor and
Members of the City Council

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Logan at June 30, 2004, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 11, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, I have also issued my reports dated August 18, 2004 on my consideration of the City of Logan’s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management’s Discussion and Analysis and budgetary comparison information on pages 6 through 13, and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally in inquiries of management regarding methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Logan’s basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information, included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Muxfeldt Associates, CPA, P.C.
Harlan, IA 51537

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Logan provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage reading to consider this information in conjunction with the city's financial statements, which follow.

2004 FINANCIAL HIGHLIGHTS

Revenues of the city's governmental activities decreased 21%, or \$208,251, from fiscal 2003 to fiscal 2004.

Program disbursements decreased 14%, or \$120,490, less in fiscal 2004 than in fiscal 2003.

The city's net assets decreased 4.26%, or \$19,584 from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities increased \$28,669 and the assets of the business type activities decreased by \$48,253.

USING THIS ANNUAL REPORT

The annual report is presented in a format consistent with the presentation of the governmental Accounting Standards Board (GASB) Statement 34, as applicable to the City's cash basis of accounting.

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consist of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the city's operations in more detail than the government-wide statements by providing information about the most significant funds.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City’s budget for the year.

Other Supplementary Information provides detailed information about non-major governmental funds.

BASIS OF ACCOUNTING

The City has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the City’s cash basis of accounting, receipts and disbursements and related assets are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the City’s finances is, “Is the City as a whole better off or worse off as a result of the year’s activities?” The Statement of Activities and Net Assets reports information which helps answer this question. This statement includes all the City’s assets using the cash basis of accounting.

The Statement of Activities and Net Assets presents the City’s net assets. Over time, increases or decreases in the City’s net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets presents information showing how the City’s net assets changed during the most recent fiscal year. All changes in net assets are reported when they result from cash transactions.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The Statement of Activities and Net Assets is divided into two kinds of activities:

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities

Business Type Activities includes the waterworks and the sanitary sewer system. These activities are financed primarily by use charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax Funds, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. These funds are reported using the cash basis of accounting. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Financial records and reports are prepared on the basis of when cash is received and disbursed. The government fund financial statements provide a detailed, short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The financial statements required for governmental funds include a statement of cash basis receipts, disbursements and changes in fund balances and cash basis assets and fund balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report the same functions presented as business type activities in the government-wide statement of activities and changes in cash balance. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

The financial statements required for proprietary funds include a statement of cash basis receipts, disbursements and changes in fund balances and cash basis assets and fund balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the City reports the activities of the funds using the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP). The City does not report capital assets or depreciation on those assets as would be required by GAAP.

Net Assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased by \$28,669 from a year ago, increasing from \$231,017 to \$259,686. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Net Assets of Governmental Activities			
Year ended June 30,			
	2004	2003	
Receipts:			
Program receipts:			
Charges for services	\$ 82,370	\$ 104,818	
Operating grants, contributions and restricted interest	22,365	176,389	
General receipts:			
Property tax	468,938	481,795	
Local option sales tax	82,658	91,812	
Road use tax	128,679	125,783	
Unrestricted investment earnings	1,672	3,835	
Note proceeds	-0-	10,500	
Transfers, net	-0-	47,241	
Total receipts	786,682	1,042,173	
Disbursements:			
Public safety	187,909	153,138	
Public works	166,602	246,094	
Culture and recreation	122,089	129,547	
Community and economic development	530	3,264	
General government	90,396	97,384	
Debt service	135,737	143,874	
Capital projects	54,750	105,201	
Total disbursements	758,013	878,502	
Increase (decrease) in cash	28,669	163,671	
Net assets, beginning of year	231,017	67,346	
Net assets, end of year	\$ 259,686	\$ 231,017	

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The City’s total receipts for governmental activities decreased by 25 percent, or \$255,491. The total cost of all programs and services decreased by \$120,489 or 14 percent with no new programs added this year. The decrease in receipts was primarily the significant contributions received and the transfers in from the Sewer Fund, \$151,212 and \$47,241, respectively, for fiscal year 2003.

The City decreased property tax rates for 2004 by an average 0.9 percent. This decrease reduced the City’s property tax receipts by \$12,857. Property tax receipts are budgeted to increase \$20,000 next year.

The cost of all governmental activities this year was \$758,013 compared to \$878,502 last year. However, as shown in the Statement of Activities and Net Assets on pages 15 - 16, the amount taxpayers ultimately financed for these activities was only \$653,278 because some of the cost was paid by those directly benefited from the programs \$82,370 or by other governments and organizations that subsidized certain programs with grants and contributions \$22,365. Overall, the City’s governmental program receipts, including intergovernmental aid and fees for service, decreased in 2004 from \$281,042 to \$104,735, principally due to the significant contributions received in the prior fiscal year as discussed previously. The City paid for the remaining “public benefit” portion of governmental activities with \$551,596 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Assets of Business Type Activities			
Year ended June 30,			
	2004		2003
Receipts:			
Program receipts:			
Charges for services and sales:			
Water	\$ 244,754	\$	247,855
Sewer	125,003		125,079
Capital grants, contribution, And restricted interest	822		753
General receipts:			
Unrestricted interest	937		1,977
Meter deposits	4,900		5,400
Special assessments	189		422
Total receipts	376,605		381,486
Disbursements:			
Water	146,051		125,244
Sewer	84,011		72,605
Debt service	190,746		187,924
Meter deposit refunds	4,050		4,400
Transfers	-0-		47,241
Total disbursements	424,858		437,414
Increase (decrease) in cash	(48,253)		(55,928)
Net assets, beginning of year	228,180		284,108
Net assets, end of year	\$ 179,927	\$	228,180

Total business type activities receipts for the fiscal year were \$376,605 compared to \$381,486 last year. This \$4,881 decrease represents a 1.3 percent reduction from the prior year. Total business type activities disbursements were \$424,858 compared to \$437,414 last year. This is a \$12,556 decrease or 2.9 percent from the prior year. The cash balance decreased \$48,253 from the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Logan completed the year, its governmental funds reported a combined fund balance of \$259,686, an increase of \$28,669 over last year's total of \$231,017. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

General Fund cash balance reported a decrease of \$119,807 from the prior year to \$8,705. A general fund transfer of \$144,829 to establish the local option sales tax fund represents a significant portion of the decrease of general fund to cash balances.

The Road Use Tax Fund cash balance increased by \$26,720 to \$46,907 during the fiscal year.

The Local Option Sales Tax Fund cash balance increased by \$130,770. The fund was established by a general fund transfer of \$144,829. \$25,000 was transferred to the Capital Projects fund for completion of the Traffic Signal Project.

The Debt Service Fund cash balance decreased by \$1,507 to \$16,014 from last year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased by \$2,755 to \$213,347 during the fiscal year.

The Sewer Fund cash balance decreased by \$51,008 to a deficit balance of \$33,420 during the fiscal year.

BUDGETARY HIGHLIGHTS

The City amended its budget on May 19, 2004. The amended budget decreased revenues by \$7,000 and increased disbursements by \$42,000, the majority of which increased sewer disbursements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

DEBT ADMINISTRATION

At June 30, 2004, the City had \$2,358,489 in bonds and other long-term debt compared to \$2,552,450 last year, as shown below.

Outstanding Debt at Year-End			
	2004		2003
General obligation bonds	\$ 688,489	\$	777,920
Revenue notes	1,670,000		1,774,530
Total	\$ 2,358,489	\$	2,552,450

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$688,489 is significantly below its constitutional debt limit of \$2.5 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Logan's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the reduction in state shared revenue, a \$22,036 reduction in 2004.

This factor was taken into account when adopting the budget for fiscal year 2005. Amounts available to appropriation in the operating budget are \$1,238,692, an increase of 6.0 percent over the final 2004 budget. The City will use this increase in receipts to finance programs it currently offers and to defray a portion of the costs of carrying out a street project. Budgeted disbursements are expected to rise by \$39,863, which represents a 3.2 percent increase over the final 2004 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by \$48,733, an 11 percent decrease.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nedra Fliehe, City Clerk, 108 West 4th Street, Logan, Iowa.

BASIC FINANCIAL STATEMENTS

CITY OF LOGAN
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

		Program Receipts	
	Disbursements	Charges for Services	Contributions and Restricted Interest
Functions / Programs:			
Governmental activities:			
Public safety	\$ 187,909	\$ 9,037	\$ -0-
Public works	166,602	44,280	-0-
Cultures and recreation	122,089	6,866	22,365
Community and economic development	530	1,640	-0-
General government	90,396	20,547	-0-
Debt service	135,737	-0-	-0-
Capital projects	54,750	-0-	-0-
Total governmental activities	758,013	82,370	22,365
Business type activities:			
Water	248,779	249,775	-0-
Sewer	176,079	125,071	-0-
Total business type activities	424,858	374,846	-0-
Total	\$ 1,182,871	\$ 457,216	\$ 22,365
General receipts:			
Property taxes levied for:			
General purposes			
Debt service			
Local option sales tax			
Road use tax			
Unrestricted investment earnings			
Total general receipts			
Change in cash balance			
Net assets, beginning of year			
Net assets, end of year			
Assets			
Cash			
Net Assets			
Restricted:			
Streets			
Debt service			
Permanent			
Unrestricted			
Total net assets			

See notes to financial statements.

EXHIBIT A

Net (Disbursements), Receipts and Changes in Net Assets

	Governmental Activities	Business Type Activities	Total
Functions / Programs:			
Governmental activities:			
Public safety	\$ (178,872)	\$ -0-	\$ (178,872)
Public works	(122,322)	-0-	(122,322)
Cultures and recreation	(92,858)	-0-	(92,858)
Community and economic development	1,110	-0-	1,110
General government	(69,849)	-0-	(69,849)
Debt service	(135,737)	-0-	(135,737)
Capital projects	(54,750)	-0-	(54,750)
Total governmental activities	(653,278)	-0-	(653,278)
Business type activities:			
Water	-0-	996	996
Sewer	-0-	(51,008)	(51,008)
Total business type activities	-0-	(50,012)	(50,012)
Total	(653,278)	(50,012)	(703,290)
	334,760	-0-	334,760
	134,178	-0-	134,178
	82,658	-0-	82,658
	128,679	-0-	128,679
	1,672	1,759	3,431
	681,947	1,759	683,706
	28,669	(48,253)	(19,584)
	231,017	228,180	459,197
	\$ 259,686	\$ 179,927	\$ 439,613
	\$ 259,686	\$ 179,927	\$ 439,613
	\$ 46,907	\$ -0-	\$ 46,907
	16,014	-0-	16,014
	55,648	-0-	55,648
	141,117	179,927	321,044
	\$ 259,686	\$ 179,927	\$ 439,613

CITY OF LOGAN
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

		Special Revenue	
	General	Road Use Tax	Local Option Tax
Receipts:			
Property tax	\$ 262,884	\$ -0-	\$ -0-
Other city tax	116	-0-	82,658
Licenses and permits	7,214	-0-	-0-
Use of money and property	11,232	-0-	1,153
Intergovernmental	16,908	128,679	-0-
Charges for services	34,709	-0-	-0-
Special assessments	113	-0-	-0-
Miscellaneous	32,507	-0-	-0-
Total receipts	365,683	128,679	83,811
Disbursements:			
Operating:			
Public safety	146,273	-0-	8,085
Public works	44,379	101,959	5,250
Culture and recreation	113,172	-0-	3,743
Community and economic development	530	-0-	-0-
General government	77,790	-0-	-0-
Debt service	-0-	-0-	-0-
Capital projects	-0-	-0-	25,000
Total disbursements	382,144	101,959	42,078
Excess (deficiency) of receipts over (under) disbursements	(16,461)	26,720	41,733
Other financing sources (uses):			
Sale of capital assets	500	-0-	-0-
Operating transfers in	40,983	-0-	144,829
Operating transfers out	(144,829)	-0-	(55,792)
Total other financing sources (uses)	(103,346)	-0-	89,037
Excess (deficiency) of receipts and other financing sources (uses) over (under) other financing sources (uses)	(119,807)	26,720	130,770
Cash basis fund balance, beginning of year	128,512	20,187	-0-
Cash basis fund balance, end of year	\$ 8,705	\$ 46,907	\$ 130,770
Cash Basis Assets			
Cash	\$ 8,705	\$ 46,907	\$ 130,770
Cash Basis Fund Balances			
Reserved:			
Debt Service	\$ -0-	\$ -0-	\$ -0-
Unreserved:			
General fund	8,705	-0-	-0-
Special revenue funds	-0-	46,907	130,770
Capital projects funds	-0-	-0-	-0-
Permanent funds	-0-	-0-	-0-
Total fund balance	\$ 8,705	\$ 46,907	\$ 130,770

See notes to financial statements.

EXHIBIT B

	Debt Service	Other Non-major Governmental Funds	Total
\$	134,178	\$ 71,676	\$ 468,738
	52	32	82,858
	-0-	-0-	7,214
	-0-	2,051	14,436
	-0-	-0-	145,587
	-0-	-0-	34,709
	-0-	-0-	113
	-0-	20	32,527
	<u>134,230</u>	<u>73,779</u>	<u>786,182</u>
	-0-	33,551	187,909
	-0-	15,014	166,602
	-0-	5,174	122,089
	-0-	-0-	530
	-0-	12,606	90,396
	135,737	-0-	135,737
	-0-	29,750	54,750
	<u>135,737</u>	<u>96,095</u>	<u>758,013</u>
	(1,507)	(22,316)	28,169
	-0-	-0-	500
	-0-	25,000	210,812
	-0-	(10,191)	(210,812)
	<u>-0-</u>	<u>14,809</u>	<u>500</u>
	(1,507)	(7,507)	28,669
	<u>17,521</u>	<u>64,797</u>	<u>231,017</u>
\$	<u>16,014</u>	<u>\$ 57,290</u>	<u>\$ 259,686</u>
\$	<u>16,014</u>	<u>\$ 57,290</u>	<u>\$ 259,686</u>
\$	16,014	\$ -0-	\$ 16,014
	-0-	-0-	8,705
	-0-	6,392	184,069
	-0-	(4,750)	(4,750)
	-0-	55,648	55,648
\$	<u>16,014</u>	<u>\$ 57,290</u>	<u>\$ 259,686</u>

CITY OF LOGAN
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES -
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Use of money and property	\$ 822	\$ -0-	\$ 822
Charges for services	243,076	124,544	367,620
Miscellaneous	1,678	459	2,137
Total receipts	<u>245,576</u>	<u>125,003</u>	<u>370,579</u>
Operating disbursements:			
Business type activities	<u>146,051</u>	<u>84,011</u>	<u>230,062</u>
Total disbursements	<u>146,051</u>	<u>84,011</u>	<u>230,062</u>
Operating income	99,525	40,992	140,517
Non-operating receipts (disbursements):			
Interest on investments	937	-0-	937
Special assessments	121	68	189
Meter deposits	4,900	-0-	4,900
Meter deposit refunds	(4,050)	-0-	(4,050)
Debt service	<u>(98,678)</u>	<u>(92,068)</u>	<u>(190,746)</u>
Total non-operating receipts (disbursements)	<u>(96,770)</u>	<u>(92,000)</u>	<u>(188,770)</u>
Excess (deficiency) of receipts over (under) disbursements	2,755	(51,008)	(48,253)
Cash basis fund balance, beginning of year	<u>210,592</u>	<u>17,588</u>	<u>228,180</u>
Cash basis fund balances, end of year	\$ <u>213,347</u>	\$ <u>(33,420)</u>	\$ <u>179,927</u>
Cash Basis Assets			
Cash	\$ <u>213,347</u>	\$ <u>(33,420)</u>	\$ <u>179,927</u>
Cash Basis Fund Balances			
Reserved:			
Meter deposits	\$ 8,603	\$ -0-	\$ 8,603
Sinking funds	128,849	-0-	128,849
Unreserved	<u>75,895</u>	<u>(33,420)</u>	<u>42,475</u>
Total fund balance	\$ <u>213,347</u>	\$ <u>(33,420)</u>	\$ <u>179,927</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Logan is a political subdivision of the state of Iowa and located in Harrison County. It was first incorporated in 1919 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general administrative services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Logan has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial burdens on the City. The City has no component units which meet the Government Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: Harrison County Assessor's Conference Board, Harrison County Emergency Management Commission and Harrison County Landfill Commission.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges from services.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

B. Basis of Presentation (cont'd.)

The Statement of Net Assets presents the City's non-fiduciary assets and liabilities, which the difference reported as net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include: 1) charges to customers or applicants whose purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

B. Basis of Presentation (Cont'd)

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for a variety of projects financed by the local option sales tax.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Logan maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. At June 30, 2004, disbursements did not exceed amounts budgeted.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2 CASH AND POOLED INVESTMENTS

The City's deposits at June 30, 2004, were covered entirely by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash on hand, cash in bank and certificates of deposit, totaled \$439,613 as of June 30, 2004.

NOTE 3 LONG-TERM DEBTS

Annual debt service requirements to maturity for general obligation and revenue notes are as follows:

Year Ending June 30,	General Obligation		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 84,134	\$ 40,903	\$ 105,000	\$ 82,213	\$ 189,134	\$ 123,116
2006	89,355	36,058	107,000	76,943	196,355	113,001
2007	75,000	30,908	114,000	71,552	189,000	102,460
2008	80,000	26,558	121,000	65,737	201,000	92,295
2009	80,000	21,838	128,000	59,239	208,000	81,077
2010	85,000	17,038	135,000	52,273	220,000	69,311
2011	95,000	11,895	142,000	44,868	237,000	56,763
2012	100,000	6,100	150,000	37,019	250,000	43,119
2013	-0-	-0-	62,000	28,724	62,000	28,724
2014	-0-	-0-	65,000	26,058	65,000	26,058
2015	-0-	-0-	68,000	23,263	68,000	23,263
2016	-0-	-0-	71,000	20,339	71,000	20,339
2017	-0-	-0-	74,000	17,286	74,000	17,286
2018	-0-	-0-	77,000	14,104	77,000	14,104
2019	-0-	-0-	80,000	10,793	80,000	10,793
2020	-0-	-0-	84,000	7,353	84,000	7,353
2021	-0-	-0-	87,000	3,741	87,000	3,741
Total	\$ 688,489	\$ 191,298	\$ 1,670,000	\$ 641,505	\$ 2,358,48	\$ 832,803

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 3 LONG-TERM DEBT (continued)

General Obligation Debt Resolutions

The resolutions providing for the issuance of the general obligation debt include the following:

- (a) The levy of taxes sufficient to provide payment of principal and interest when due.
- (b) Proceeds of the tax levy are to be collected in the debt service fund of the City.

The City is in compliance with the above provision.

Revenue Debt Resolutions

On April 1, 1998 the City issued a Water Revenue Note that was issued to refinance the May 1, 1989 Water Revenue Note.

The resolutions providing for the issuance of the water revenue notes include the following:

- (a) The debt will only be redeemed from the future net revenues of the utility.
- (b) The City shall impose, adjust and provide for the collection of rates to be charged to customers to produce revenues sufficient to pay for operation of the utility and leave a balance sufficient to pay the principal and interest on the revenue debts as they become due.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 3 LONG-TERM DEBT (continued)

In addition, the resolution providing for the issuance of the water revenue notes include the following provisions:

(a) A "Water Revenue Sinking Fund" shall be created to set aside from the future net revenues of the utility such portion sufficient to pay principal and interest on the bonds as they become due. The minimum amount to be set aside each month shall be equal to 1/12 of the principal May 1 of the next year and 1/6 of the interest due the next succeeding interest payment.

(b) \$40,000 of the loan proceeds shall be set aside into a special fund designated as the "Reserve Account" used to pay principal and interest whenever for any reason the funds in the Sinking Fund are insufficient to pay principal and interest due.

Lease - Purchase Contracts

The City entered into a lease-purchase contract for a utility tractor. The contract requires ten semi-annual payments of \$3,131.

NOTE 4 PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute a 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$20,072, \$17,786, and \$17,478, respectively, equal to the required contributions for each year.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 5 COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment at termination or death. These accumulations are not recognized as disbursements by the City until used or paid. Sick leave hours accumulate but are not payable upon termination. Upon retirement, employees are paid one-half the accumulated sick leave. The City's approximate liability for earned compensated absences payable to employees at June 30, 2003, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount June 30, 2004
Vacation/Personal Day	\$ 11,313
Compensatory time	559
Total	\$ <u>11,872</u>

This liability has been computed on the rates of pay as of June 30, 2004.

NOTE 6 LEASE AGREEMENTS

In April, 1989, the City entered into a cancelable lease agreement for a tract of land for the purpose of establishing water wells on the said property for the annual sum of \$2,000 and continuing each year thereafter as long as the well site is being used by the City.

Rental expense for the year ended June 30, 2004 was \$2,000.

NOTE 7 INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2004, is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue - Emergency	\$ 8,140
General	Permanent Fund	2,051
General	Special Revenue - Local Option	30,792
Special Revenue - Local Option	General	144,829
Capital Projects - Traffic Signal	Special Revenue - Local Option	25,000
Total		\$ <u>210,812</u>

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 8 RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$7,378 during the year ended June 30, 2004.

NOTE 9 RISK MANAGEMENT

The City of Logan is exposed to various risks of loss to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 DEFICIT FUND BALANCE

The Sewer Fund had a deficit balance of \$33,420 at June 30, 2004. The deficit balance was a result of litigation costs associated with a contract dispute on the Sewer Project. The Capital Project Fund, Traffic Signal Project, had a deficit balance of \$4,750 at June 30, 2004. The deficit will be eliminated in the following fiscal year. The Special Revenue Fund, Emergency Fund, had an immaterial deficit balance of \$37.

NOTE 11 ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statements No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary comparison Schedule - Perspective Differences were implemented during the year ending June 30, 2004. The statements create new basic financial statements for reporting the city's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LOGAN
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Property tax	\$ 468,738	\$ -0-
Other city tax	82,858	-0-
Tax increment financing	-0-	-0-
Licenses and permits	7,214	-0-
Use of money and permits	14,436	1,759
Intergovernmental	145,587	-0-
Charges for services	34,709	367,620
Special assessments	113	189
Miscellaneous	32,527	7,037
Total receipts	<u>786,182</u>	<u>376,605</u>
Disbursements:		
Public safety	187,909	-0-
Public works	166,602	-0-
Culture and recreation	122,089	-0-
Community and economic development	530	-0-
General government	90,396	-0-
Debt service	135,737	-0-
Capital projects	54,750	-0-
Business type	-0-	424,858
Total disbursements	<u>758,013</u>	<u>424,858</u>
Excess (deficiency) of receipts over (under) disbursements	28,169	(48,253)
Other financing sources, net	<u>500</u>	<u>-0-</u>
Excess (deficiency) of receipts and other financing sources	28,669	(48,253)
Balance beginning of year	<u>231,017</u>	<u>228,180</u>
Balance end of year	\$ <u>259,686</u>	\$ <u>179,927</u>

See Accompanying Independent Auditor's Report

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
\$ 468,738	\$ 455,849	\$ 455,849	\$ 12,889
82,858	70,619	85,619	(2,761)
-0-	2,000	-0-	-0-
7,214	11,225	11,225	(4,011)
16,195	24,600	20,600	(4,405)
145,587	166,773	144,773	814
402,329	438,350	438,350	(36,021)
302	-0-	-0-	302
39,564	6,485	12,485	27,079
<u>1,162,787</u>	<u>1,175,901</u>	<u>1,168,901</u>	<u>(6,114)</u>
187,909	183,985	196,985	9,076
166,602	201,488	174,488	7,886
122,089	116,330	130,330	8,241
530	1,000	2,000	1,470
90,396	109,685	109,685	19,289
135,737	135,751	135,751	14
54,750	50,000	56,000	1,250
424,858	407,323	442,323	17,465
<u>1,182,871</u>	<u>1,205,562</u>	<u>1,247,562</u>	<u>64,691</u>
(20,084)	(29,661)	(78,661)	58,577
<u>500</u>	<u>-0-</u>	<u>-0-</u>	<u>500</u>
(19,584)	(29,661)	(78,661)	59,077
<u>459,197</u>	<u>459,197</u>	<u>459,197</u>	<u>-0-</u>
\$ <u>439,613</u>	\$ <u>429,536</u>	\$ <u>380,536</u>	\$ <u>59,077</u>

CITY OF LOGAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING
JUNE 30, 2004

In accordance with the code of Iowa, the city Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units, internal service, fiduciary funds, and agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund type level. During the year, a budget amendment increased budgeted disbursements by \$42,000. The budget amendments are reflected in the final budgeted amounts.

At June 30, 2004, disbursements did not exceed the amounts budgeted in the government and business type activities functions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LOGAN
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

	Special Revenue		
	Emergency	Forfeiture	Employee Benefits
Receipts:			
Property tax	\$ 8,099	\$ -0-	\$ 63,577
Other city tax	4	-0-	28
Use of money and property	-0-	-0-	-0-
Miscellaneous	-0-	20	-0-
Total receipts	8,103	20	63,605
Disbursements:			
Operations:			
Public safety	-0-	-0-	33,551
Public works	-0-	-0-	15,014
Culture and recreation	-0-	-0-	5,174
General government	-0-	-0-	12,606
Capital projects	-0-	-0-	-0-
Total disbursements	-0-	-0-	66,345
Excess (deficiency) of receipts over (under) disbursements	8,103	20	(2,740)
Other financing sources (uses):			
Operating transfers in	-0-	-0-	-0-
Operating transfers out	(8,140)	-0-	-0-
Net financing sources (uses)	(8,140)	-0-	-0-
Excess (deficiency) of receipts over (under) disbursements and other financing sources (uses)	(37)	20	(2,740)
Fund balances beginning of year	-0-	-0-	9,149
Fund balances end of year	\$ (37)	\$ 20	\$ 6,409
Assets			
Cash	\$ (37)	\$ 20	\$ 6,409
Fund Balances			
Unreserved:			
Special revenue funds	\$ (37)	\$ 20	\$ 6,409
Capital project funds	-0-	-0-	-0-
Permanent fund	-0-	-0-	-0-
Total fund balance	\$ (37)	\$ 20	\$ 6,409

See Accompanying Independent Auditor's Report

SCHEDULE 1

Capital Projects		Permanent	
Traffic			
Signal		Library	Total
\$ -0-	\$ -0-	\$ 71,676	
-0-	-0-	32	
-0-	2,051	2,051	
-0-	-0-	20	
-0-	2,051	73,779	
-0-	-0-	33,551	
-0-	-0-	15,014	
-0-	-0-	5,174	
-0-	-0-	12,606	
29,750	-0-	29,750	
29,750	-0-	96,095	
(29,750)	2,051	(22,316)	
25,000	-0-	25,000	
-0-	(2,051)	(10,191)	
25,000	(2,051)	14,809	
(4,750)	-0-	(7,507)	
-0-	55,648	64,797	
\$ (4,750)	\$ 55,648	\$ 57,290	
\$ (4,750)	\$ 55,648	\$ 57,290	
\$ -0-	\$ -0-	\$ 6,392	
(4,750)	-0-	(4,750)	
-0-	55,648	55,648	
\$ (4,750)	\$ 55,648	\$ 57,290	

**CITY OF LOGAN
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2004**

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
<u>Obligation</u>			
General obligation debt:			
Water improvement notes	May 1, 1995	4.90-6.10%	\$ 930,000
Lease - Purchase Utility Tractor	May 24, 2001	7.90%	\$ 12,729
Equipment Note	November 15, 2000	6.00%	\$ 82,000
Equipment Note	September 1, 2003	6.00%	\$ 10,500
Revenue debt:			
Water improvement note	May 1, 1995	5.00-6.35%	\$ 615,000
Water notes	April 1, 1998	5.05-5.55%	\$ 320,000
Lease - Purchase Truck	January 20, 2000	4.11%	\$ 28,188
Sewer notes	July 10, 2001	4.30%	\$ 1,210,000

See accompanying independent auditor's report.

SCHEDULE 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 710,000	\$ -0-	\$ 60,000	\$ 650,000	\$ 41,837	\$ 3,167
8,220	-0-	2,531	5,689	600	47
49,200	-0-	16,400	32,800	2,952	156
10,500	-0-	10,500	-0-	616	-0-
\$ <u>777,920</u>	\$ <u>-0-</u>	\$ <u>89,431</u>	\$ <u>688,489</u>	\$ <u>46,005</u>	\$ <u>3,370</u>
\$ 485,000	\$ -0-	\$ 20,000	\$ 465,000	\$ 30,158	\$ 4,768
155,000	-0-	35,000	120,000	8,388	1,633
6,530	-0-	6,530	-0-	136	-0-
1,128,000	-0-	43,000	1,085,000	48,504	3,888
\$ <u>1,774,530</u>	\$ <u>-0-</u>	\$ <u>104,530</u>	\$ <u>1,670,000</u>	\$ <u>87,186</u>	\$ <u>10,289</u>

**CITY OF LOGAN
BOND AND NOTE MATURITIES
YEAR ENDED JUNE 30, 2004**

General Obligation Debt

<u>Year Ended June 30,</u>	<u>Water Improvements Notes</u> <u>Issued May 1, 1995</u>		<u>Equipment Note</u> <u>Issued November 15, 2000</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2005	5.60%	\$ 65,000	6.00%	\$ 16,400
2006	5.70%	70,000	6.00%	16,400
2007	5.80%	75,000	--	-0-
2008	5.90%	80,000	--	-0-
2009	6.00%	80,000	--	-0-
2010	6.05%	85,000	--	-0-
2011	6.10%	95,000	--	-0-
2012	6.10%	100,000	--	-0-
Total		\$ <u>650,000</u>		\$ <u>32,800</u>

See Accompanying Independent Auditor's Report.

SCHEDULE 3

Lease - Purchase Utility Tractor
Issued May 24, 2001

<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
7.90%	\$ 2,733	\$ 84,133
7.90%	2,956	89,356
--	-0-	75,000
--	-0-	80,000
--	-0-	80,000
--	-0-	85,000
--	-0-	95,000
--	-0-	100,000
	<u>\$ 5,689</u>	<u>\$ 688,489</u>

**CITY OF LOGAN
DEBT MATURITIES
YEAR ENDED JUNE 30, 2002**

Revenue Debt

Year Ended June 30,	<u>Water Notes</u> <u>Issued April 1, 1998</u>		<u>Water Improvements Notes</u> <u>Issued May 1, 1995</u>	
	Interest Rates	Amount	Interest Rates	Amount
2005	5.35%	\$ 35,000	5.85%	\$ 25,000
2006	5.45%	40,000	5.95%	20,000
2007	5.55%	45,000	6.05%	20,000
2008	--	-0-	6.15%	70,000
2009	--	-0-	6.25%	75,000
2010	--	-0-	6.30%	80,000
2011	--	-0-	6.35%	85,000
2012	--	-0-	6.35%	90,000
2013	--	-0-	--	-0-
2014	--	-0-	--	-0-
2015	--	-0-	--	-0-
2016	--	-0-	--	-0-
2017	--	-0-	--	-0-
2018	--	-0-	--	-0-
2019	--	-0-	--	-0-
2020	--	-0-	--	-0-
2021	--	-0-	--	-0-
Total		<u>\$ 120,000</u>		<u>\$ 465,000</u>

See Accompanying Independent Auditor's Report

SCHEDULE 3
(Continued)

<u>Sewer Revenue Note</u> <u>Issued July 10, 2001</u>				
Year Ended June 30,	Interest Rates	Amount		Total
2005	4.30%	\$	45,000	\$ 105,000
2006	4.30%		47,000	107,000
2007	4.30%		49,000	114,000
2008	4.30%		51,000	121,000
2009	4.30%		53,000	128,000
2010	4.30%		55,000	135,000
2011	4.30%		57,000	142,000
2012	4.30%		60,000	150,000
2013	4.30%		62,000	62,000
2014	4.30%		65,000	65,000
2015	4.30%		68,000	68,000
2016	4.30%		71,000	71,000
2017	4.30%		74,000	74,000
2018	4.30%		77,000	77,000
2019	4.30%		80,000	80,000
2020	4.30%		84,000	84,000
2021	4.30%		87,000	87,000
Total		\$	<u>1,085,000</u>	\$ <u>1,670,000</u>

CITY OF LOGAN
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TWO YEARS

	<u>2004</u>	<u>2003</u>
Receipts:		
Property and other city taxes	\$ 551,596	\$ 595,777
Tax increment financing	-0-	11,036
License and permits	7,214	6,194
Use of money and property	14,436	12,716
Intergovernmental	145,587	159,980
Charges for service	34,709	33,859
Special assessments	113	19
Miscellaneous	32,527	164,687
Note proceeds	-0-	10,500
Sale of assets	<u>500</u>	<u>165</u>
Total	\$ <u>786,682</u>	\$ <u>994,933</u>
Disbursements:		
Operating:		
Public safety	\$ 187,909	\$ 153,138
Public works	166,602	246,094
Culture and recreation	122,089	129,547
Community and economic development	530	3,264
General government	90,396	97,384
Debt service	135,737	143,874
Capital projects	<u>54,750</u>	<u>105,201</u>
Total	\$ <u>758,013</u>	\$ <u>878,502</u>

See accompanying independent auditor's report.

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING**

MUXFELDT ASSOCIATES, CPA, P.C.
2309 B CHATBURN AVE.
HARLAN, IA 51537

August 18, 2004

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Honorable Mayor and
Members of the City Council:

I have audited the financial statements of the City of Logan, Iowa as of and for the year ended June 30, 2004, and have issued my report thereon dated August 18, 2004. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Logan's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

Continued . . .

August 18, 2004
To the Honorable Mayor and
Members of the City Council
Page Two

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Logan's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Logan's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item 04-II-A is a material weakness. Prior year reportable conditions have been resolved except for item 03-II-A.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Logan and other parties to whom the City of Logan may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Logan during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Muxfeldt Associates, CPA, P.C.
Harlan, IA 51537

**CITY OF LOGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004**

PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

- a. An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is an other comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b. Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- c. The audit did not disclose any non-compliance which is material to the financial statements.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS

04-II-A Segregation of Duties

Comment - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

CITY OF LOGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

PART III: OTHER FINDINGS RELATED TO STATUTORY REPORTING:

- 04-III-A Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- 04-III-B Certified Budget - Disbursements during the year ended June 30, 2004, did not exceed the functional amounts budgeted. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.
- 04-III-C Questionable Disbursements - I noted no disbursements for parties, banquets or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- 04-III-D Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 04-III-E Business Transactions - In accordance with Chapter 362.5(10) of the Code of Iowa, there have been no transactions that appear to represent a conflict of interest.
- 04-III-F Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 04-III-G Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not. Two instances of noncompliance with publishing requirements were noted, however. Receipts for August 2003 and May 2004 were not presented for publication nor published. Total governmental receipts should be published monthly.
- 04-III-H Revenue Notes - The City is in compliance with all covenants of their Revenue Note resolutions.

CITY OF LOGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

PART III: OTHER FINDINGS RELATED TO STATUTORY REPORTING (Cont'd)

04-III-I Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12Cof the Code of Iowa and the City's deposit and investment policy were noted.

04-III-M Statistical Information

	<u>For the year ended June 30, 2004</u>
Gallons of water billed	46,219,925
Gallons of water used by the City	4,442,760
Gallons of water unaccounted for	<u>23,934,315</u>
Gallons of water pumped	<u>74,597,000</u>

CITY OF LOGAN
LOGAN, IOWA 51546
NEWS RELEASE

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an audit report on the City of Logan, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included in Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$1,162,287 for the year ended June 30, 2004, a 15 percent decrease from 2003. The receipts included \$468,938 from property tax, \$457,216 from charges for services, \$22,365 from operating grants, contributions and restricted interest, \$82,658 from local option sales tax, \$1,672 from unrestricted investment earnings and \$130,438 in other general receipts.

Disbursements for the year totaled \$1,182,871, a 7 percent decrease from 2003, and included \$187,909 for public works, \$248,779 for water and \$176,079 for sewer.

A copy of the audit report is available for review in the office of the Auditor of State and the City Clerk's office.